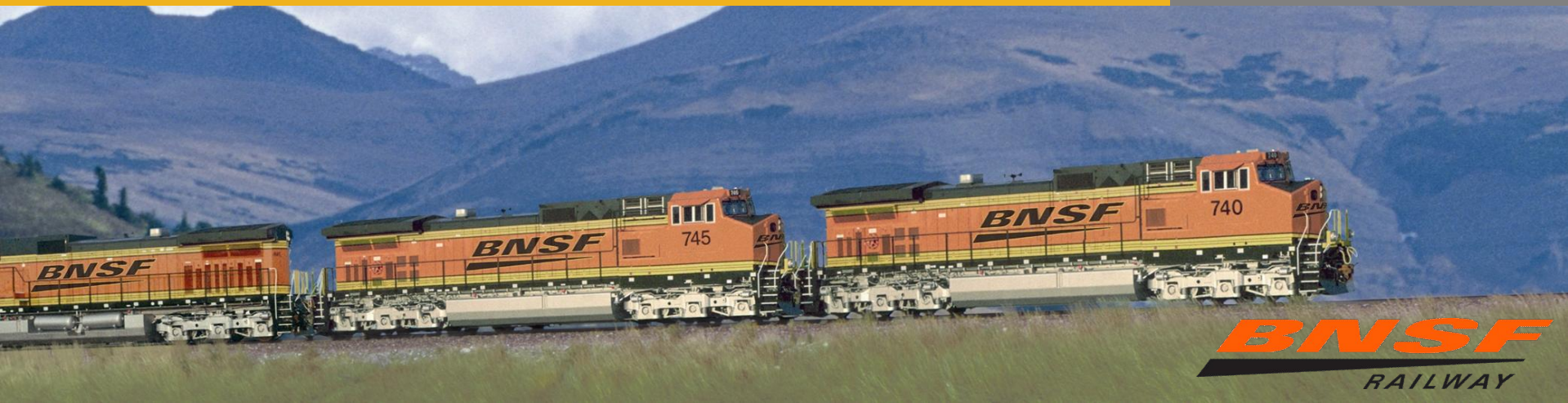


# **BNSF Railway**

## **Potential Logistics Park Gardner City Council and Intermodal Review Committee Briefings**

**April 10 - 11, 2006**



# Agenda

- ◆ **Thank You**
- ◆ **Introductions**
  - **Skip Kalb, Director of Strategic Development - BNSF**
  - **Scott Goehri, P.E., Vice President – HDR, Inc.**
- ◆ **The Rail Industry Today, an Overview**
- ◆ **What is a Logistics Park?**
- ◆ **BNSF Feasibility Studies**
  - **Engineering Study**
  - **Traffic Study**
  - **Economic Impact Analysis**
- ◆ **Phasing**
- ◆ **Next Steps**

# BNSF Railway Network

**BNSF is one of the largest North American railroads**  
32,000 route miles, covering 28 states and two Canadian provinces



# Growth is Very Uneven Across the World

Growing Demand

State of BNSF

Meeting the Growth Challenge

Percent change, real GDP



Source: Global Insight

# Current Environment

## Growing Demand

## State of BNSF

## Meeting the Growth Challenge

- ◆ Real GDP in 4th year of expansion
- ◆ Manufacturing sector growing at slower pace
- ◆ Employment growing
- ◆ Inflation rising
- ◆ Policy environment tightening
  - Interest rates rising
  - Fiscal stimulus removed
- ◆ Trade deficit widening
  - Imports outpacing export growth
  - Weaker dollar
- ◆ Oil prices up; poses biggest risk to outlook

# Motor Carrier Challenges

- ◆ *Legislative*
  - **Hours of Service Rules Impact**
- ◆ *Environmental*
  - **New Emission Engines (Capital, Fuel Efficiency, Maintenance)**
- ◆ *Fuel*
- ◆ *Competitive Environment*
  - **Market Fragmentation – Further consolidations/acquisitions**
- ◆ *Capacity Growth*
  - **14.9% in '90's - averaging less than 3% in 2000s**
  - **Class 8 Tractor Sales – 48% increase – mostly replacement**
- ◆ *Driver Issues*
  - **Shortage – Recruitment – declining demographic**
  - **Retention – Quality of Life**
  - **Rising Pay**
- ◆ *Rising Insurance Costs - \$2mm deductible per occurrence*
- ◆ *Historic Pricing Environment - 8-10% opportunity. Highest since deregulation*
- ◆ *Reduce Capital Cost – Tractors/Trailers*

# Impact on Rail Industry

## Growing Demand

## State of BNSF

## Meeting the Growth Challenge

- ◆ National rail network experiencing record demand, but the pace of growth is slowing
- ◆ Economic rebound in US, coming off a very long period of recession
- ◆ Strong demand for imported finished goods from Asia
- ◆ Continued industrial expansion
  - Continued strength in housing market
  - Strong demand for steel and coal
  - Record petroleum products



# 2005 Freight Volume

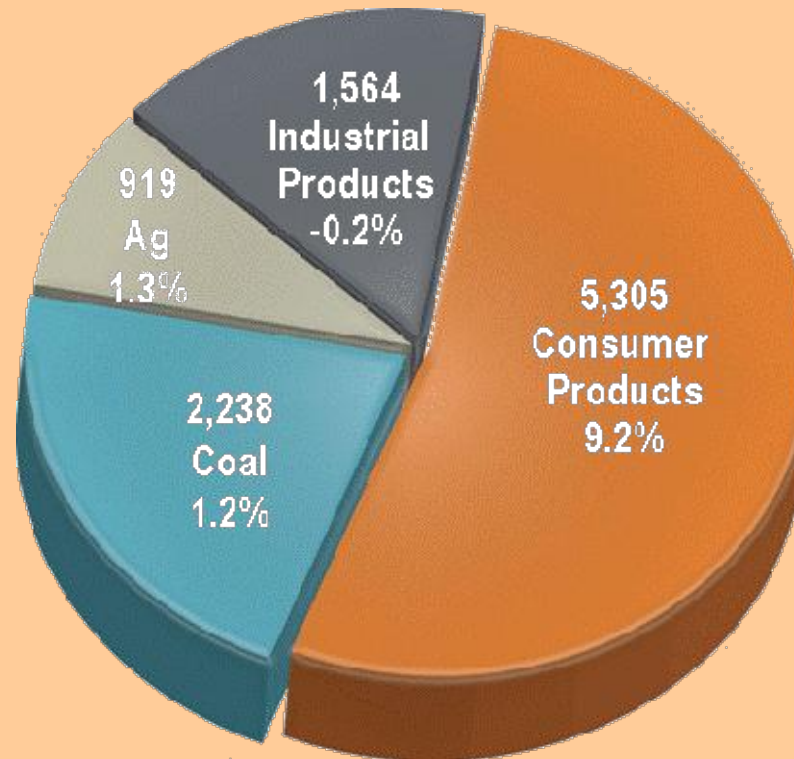
Growing Demand

State of BNSF

Meeting the Growth Challenge

Total units and % change from 2004

Thousands



Total BNSF Units: 10,027 +5.0%



# 2005 Freight Volume

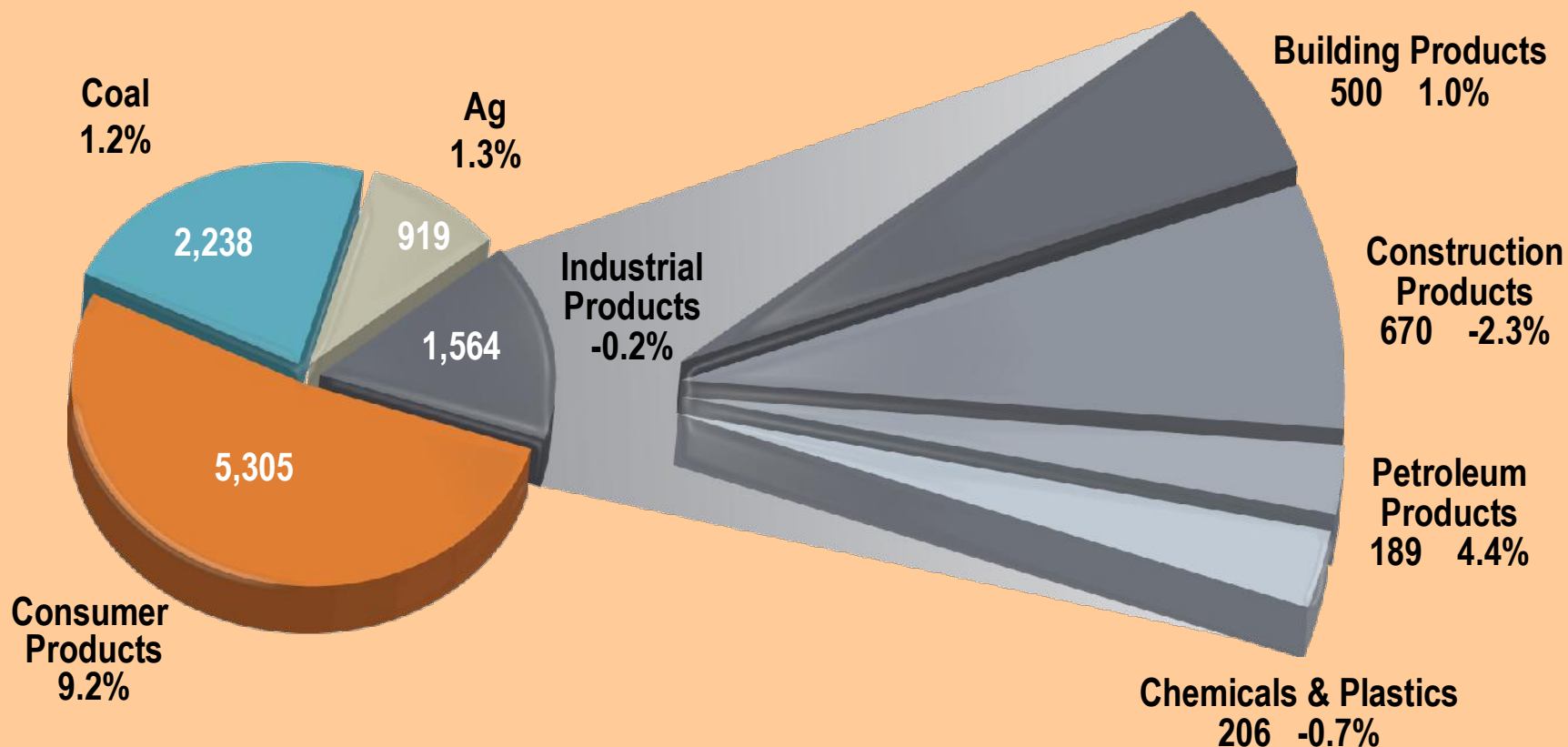
Growing Demand

State of BNSF

Meeting the Growth Challenge

Total units and % change from 2004

Thousands

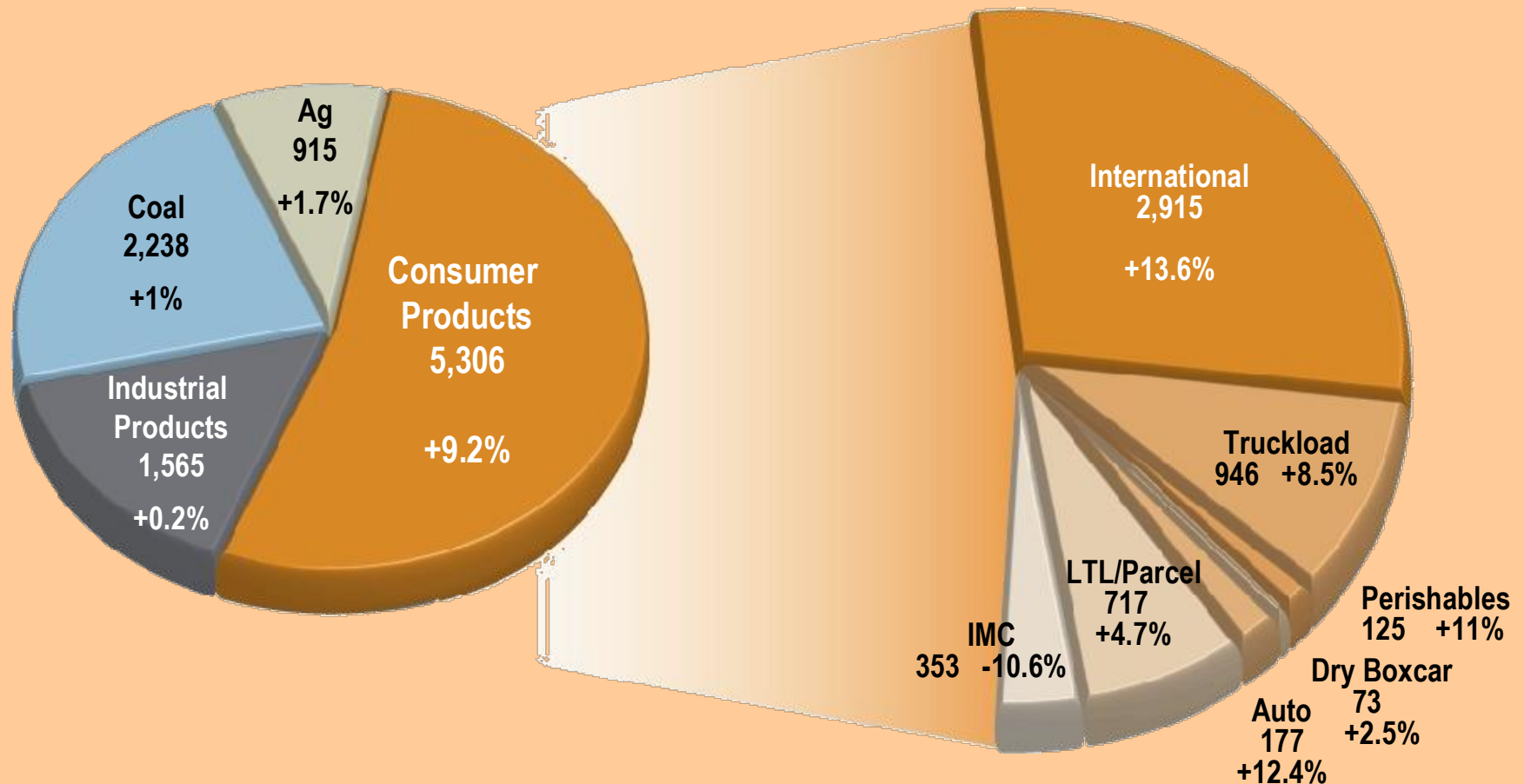


Total Industrial Products: 1,564 -0.2%

# 2005 BNSF Consumer Products Volume

Total units and % change from 2004

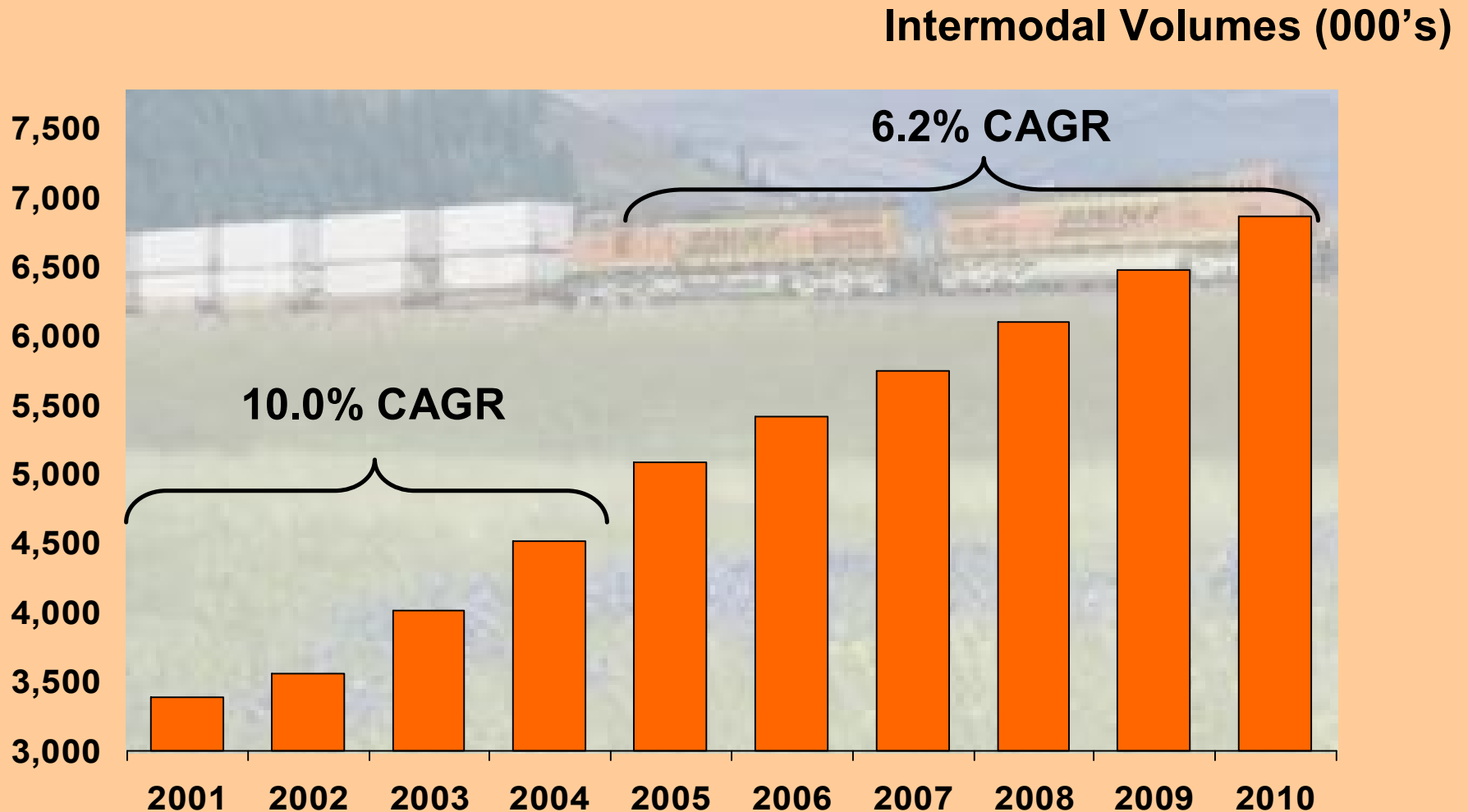
Thousands



2005 Total BNSF Volume 10,024 +5.1%

# BNSF Growth Trends

## Intermodal Growth Projections



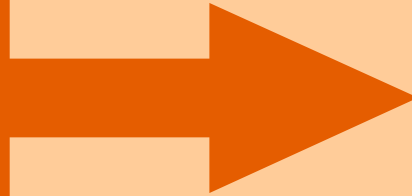
# Increasing Volumes Driving Plan



# Creating More Capacity

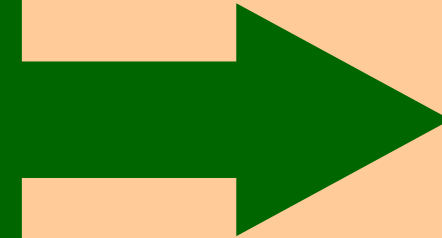
## Keys to Increasing Capacity

- More assets
- More infrastructure



**Acquired  
Capacity**

- New procedures
- Better utilization
- Better coordination
- Better cooperation
- Better processes



**“Managed”  
Capacity**



# Creating More Capacity



# Creating More Capacity

Panama Canal

BNSF Intermodal

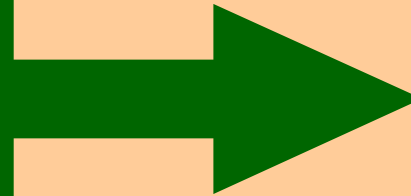
Growth Trends

Acquired Capacity

Managed Capacity

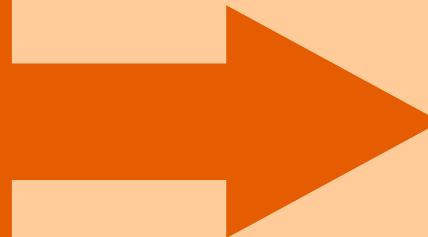
## Keys to Increasing Capacity

- More assets
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**Acquired  
Capacity**

- New procedures
- Better utilization
- Better coordination
- Better cooperation
- Better processes



**“Managed”  
Capacity**



# Managed Capacity

- **Planning**
  - Work with community, partners and customers on long term solutions
  - Understand customer needs, provide best modal alternative
- **Utilization**
  - 24x7 operation at the ports
  - On dock rail loading
  - Routing alternatives (PNW, Northern Cal)
  - Rail car and train management
  - Technology – tracing shipments

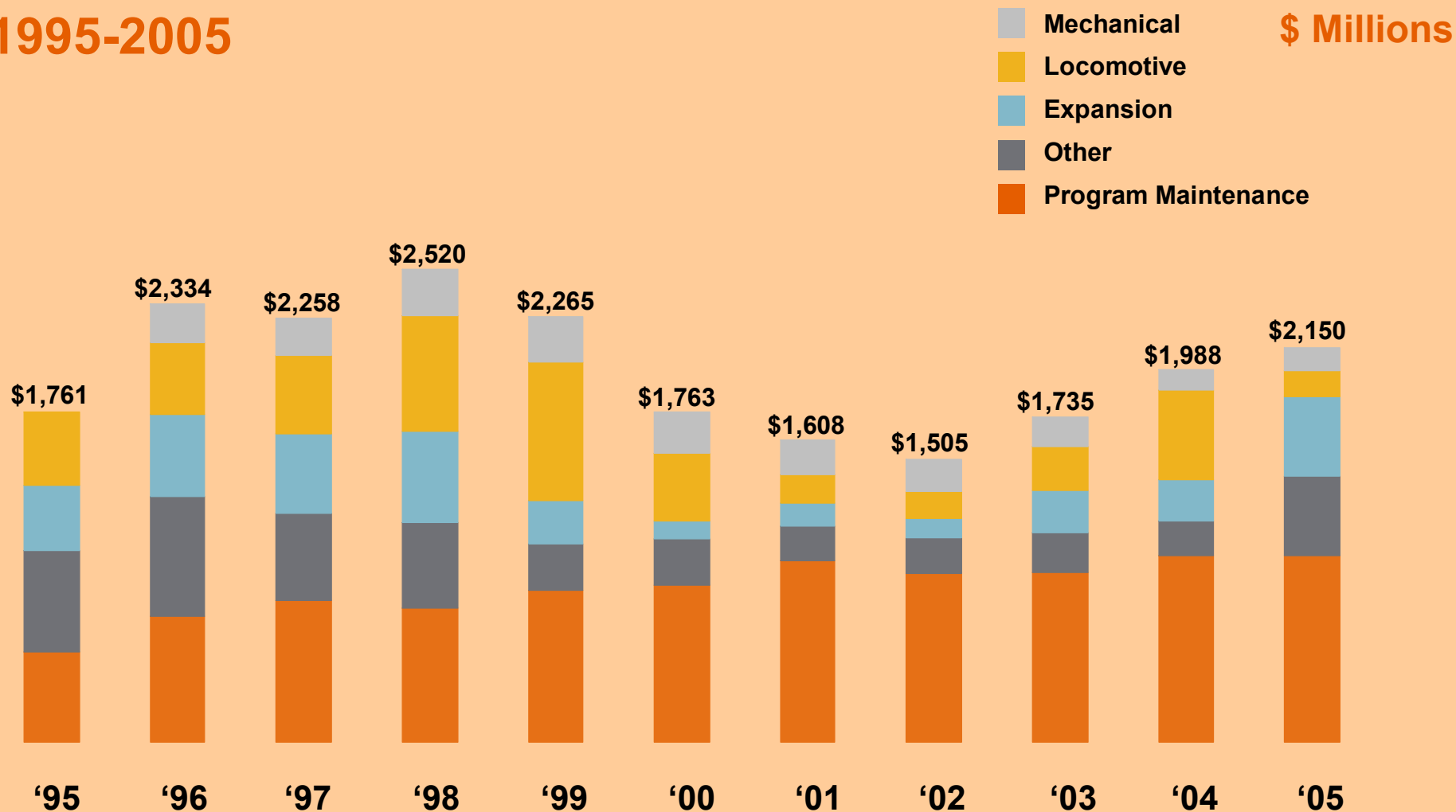
# BNSF Capital Commitments vs. ROIC

Growing Demand

State of BNSF

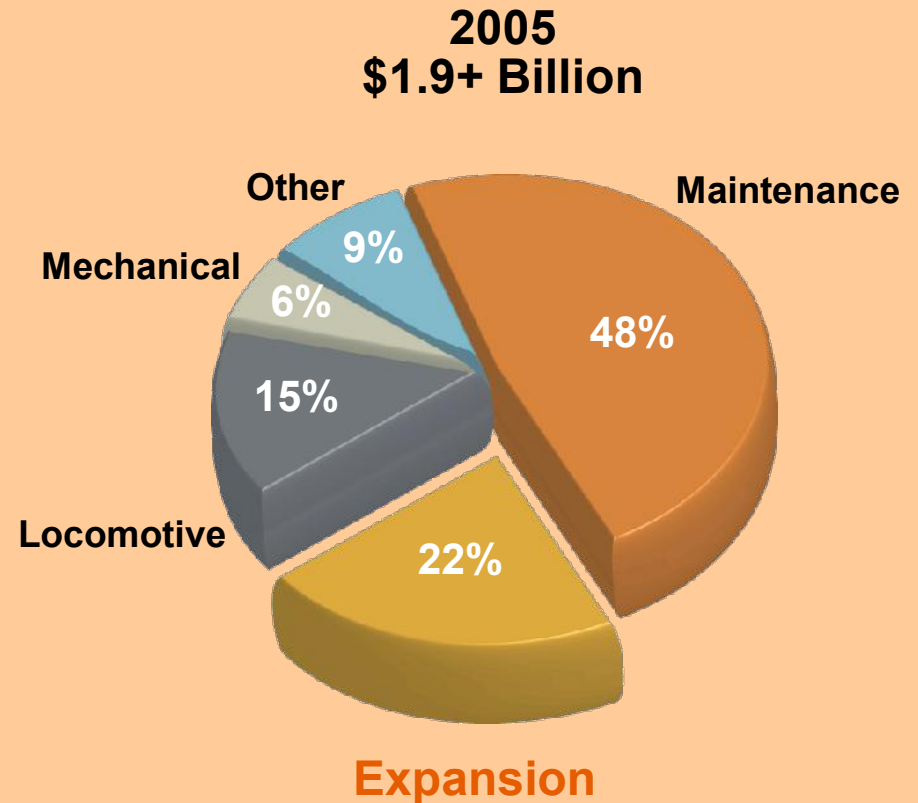
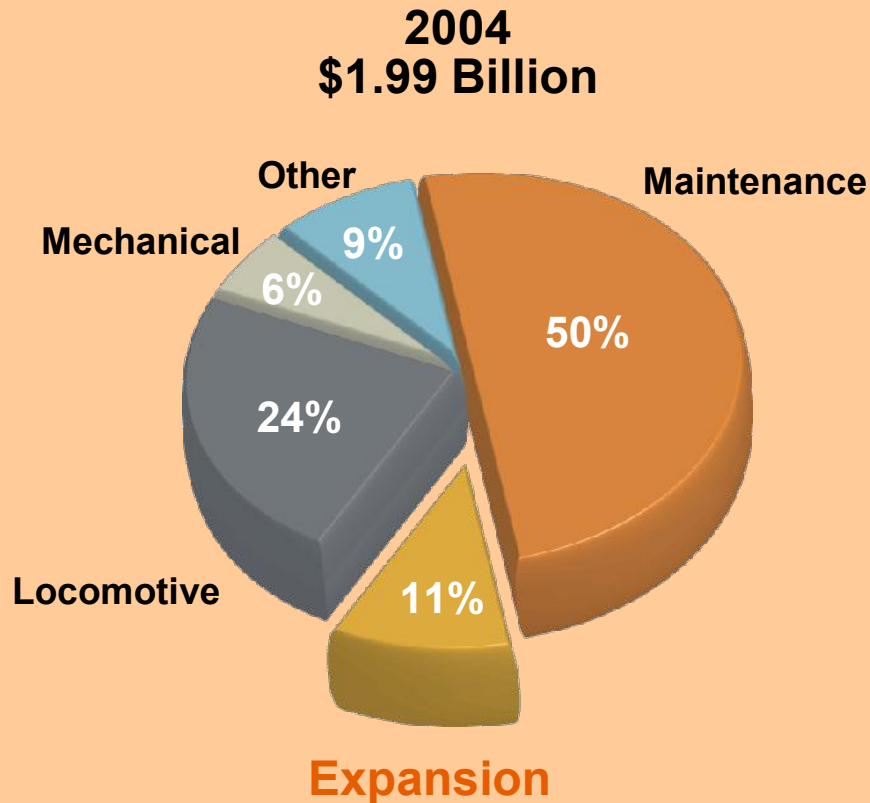
Meeting the Growth Challenge

1995-2005



# 2005 Growth Plan

## Expansion Capital Increasing to 22%

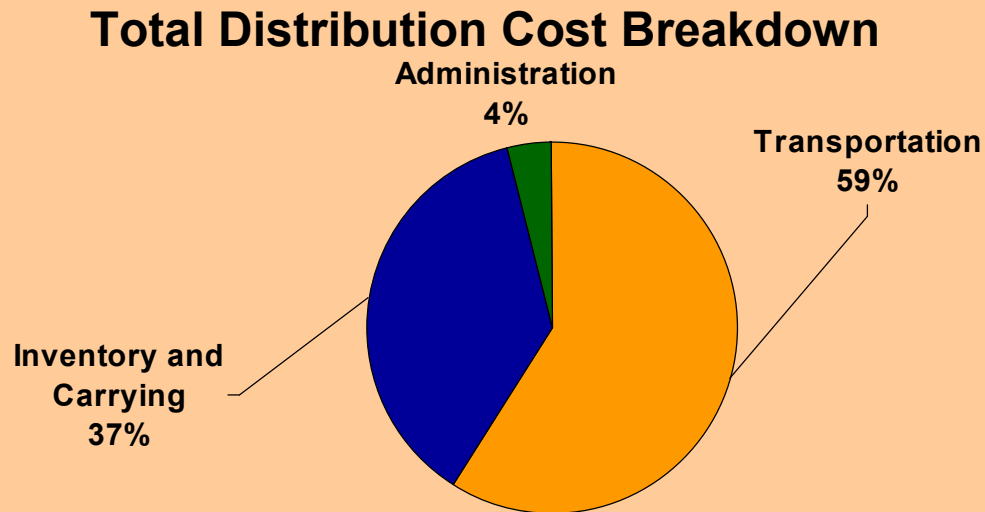


# **Global Economic Changes Impact Facility Development Strategies**

- ◆ *As more manufacturing goes offshore, fewer raw materials are needed.*
- ◆ *Domestic economy shifting to a consumption based market.*
- ◆ *Shift from goods manufacturing economy to a goods distribution economy.*
- ◆ *International container shipments experiencing double digit growth.*
- ◆ *Many companies focused on regional distribution to expedite time to market.*

# Supply Chain Competitive Advantages

- ◆ ***Real Estate Focus – Cost Control***
  - ***Value is Seen When Connecting Goals***
- ◆ ***Transportation Focus – Efficiencies***
  - ***Leverage and Impact to Overall Distribution Cost***



# What Does It All Mean?

- ◆ *Increasing Transportation Demand driven by Continued Globalization and International Demand*
- ◆ *Limited Potential for Short Term Rail Mainline and Terminal Infrastructure Expansion*
- ◆ *Increased Distribution Differentiation*
- ◆ *Drive of Transportation/Distribution facilities to the metro perimeter*
- ◆ *Increasing Wage and Job Creation from Distribution VS. Manufacturing*
- ◆ *Greater reliance on Postponed Manufacturing*
- ◆ *Large Capital Expenditure and Public-Private Partnerships*

# What is a Logistics Park?

- ◆ **Efficient Handling of Rail Shipments**
  - Trailers/Containers
  - Truck to Rail/Rail to Truck
- ◆ **Multimodal Facility**
  - Intermodal Facility
  - Rail Served Distribution
  - Non-Rail Served Distribution
- ◆ **It is not...**
  - A Typical Rail Switching Yard



Logistics Park - Chicago



# Example Intermodal Facilities

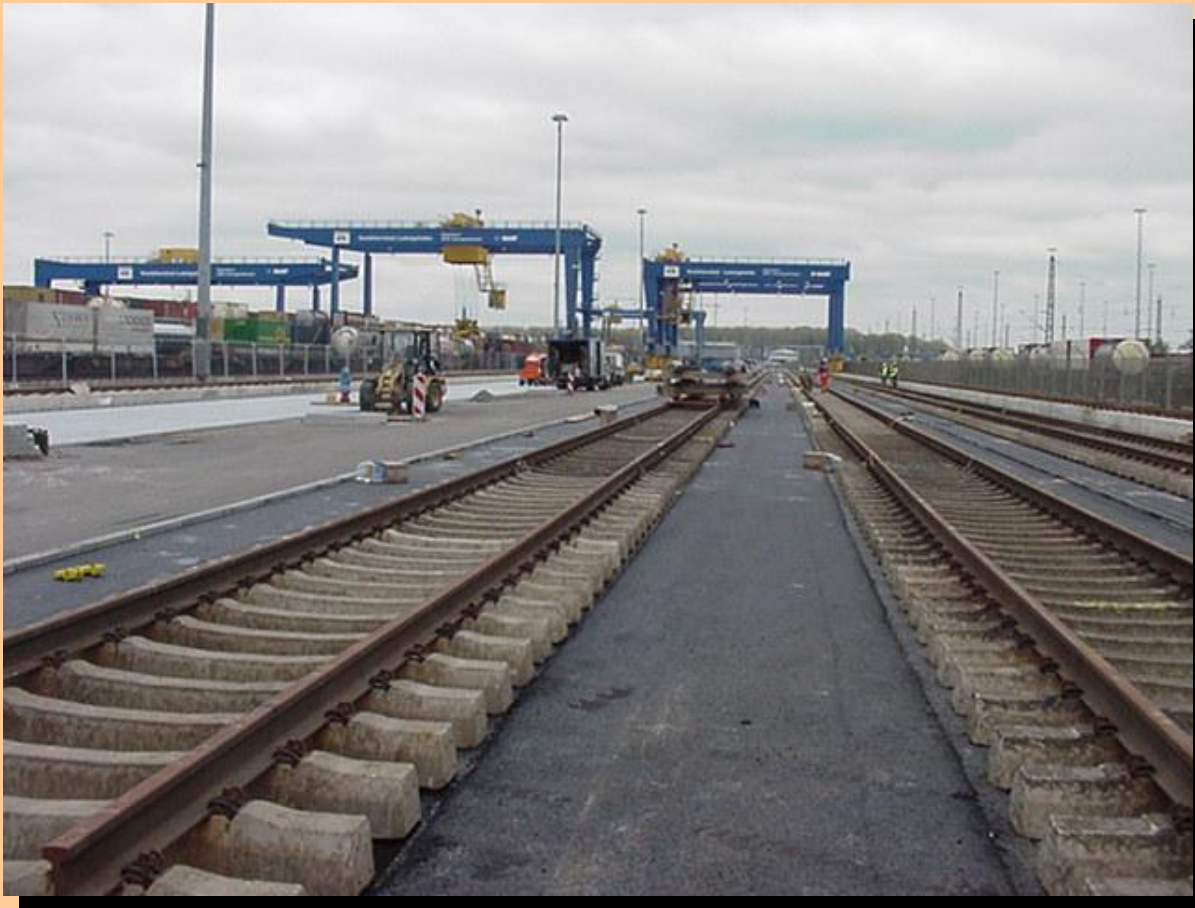
## Intermodal Facility (Container/Trailer Unloading)



Logistics Park - Chicago

# Example Intermodal Facilities

## Intermodal Facility (Container/Trailer Unloading)



Overseas Wide-Span Crane Facility under Construction



# Non-Rail Served Warehousing

## Warehousing



Logistics Park - Chicago

# Rail Served Distribution

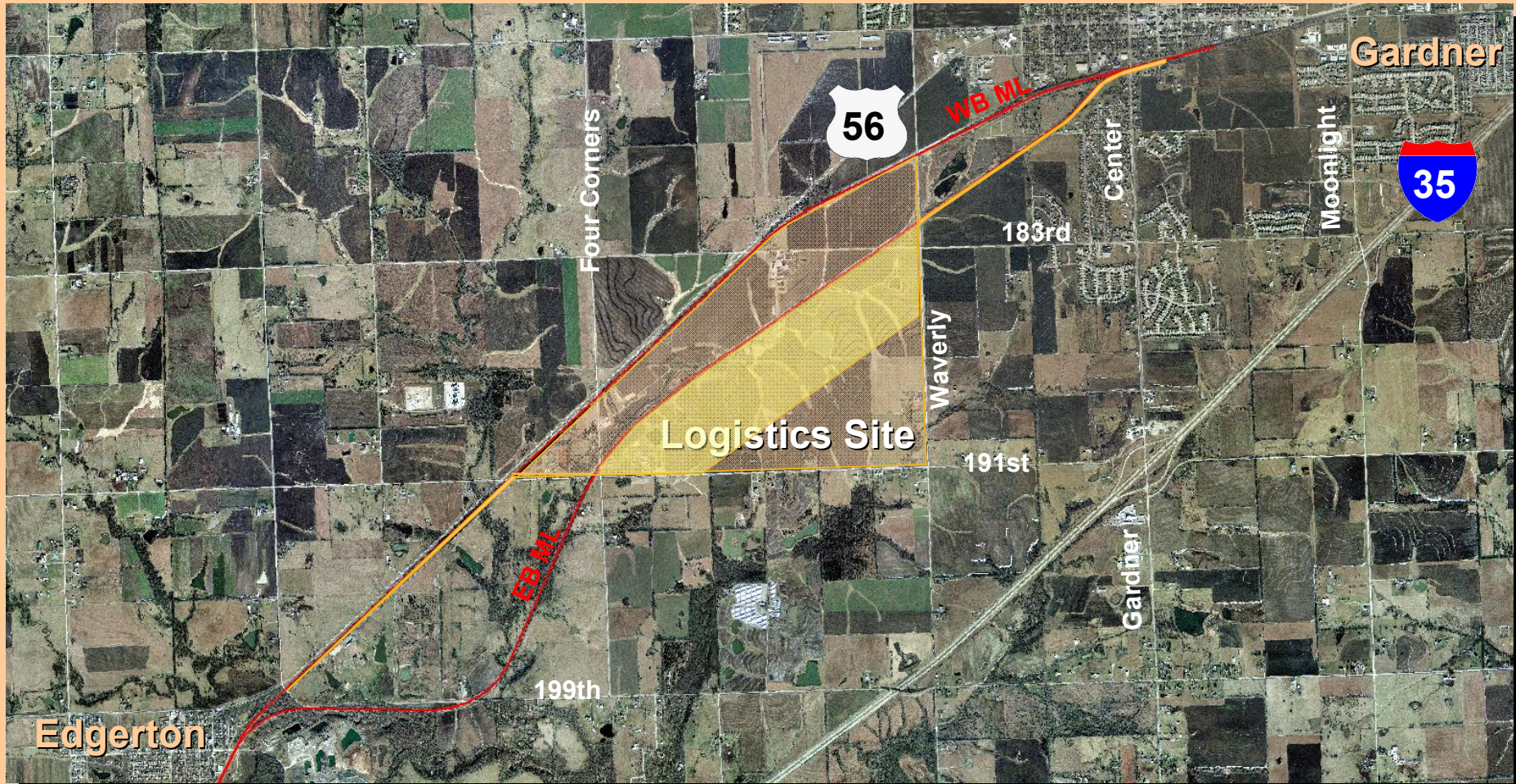
## Direct Rail Served Warehousing



Logistics Park - Chicago

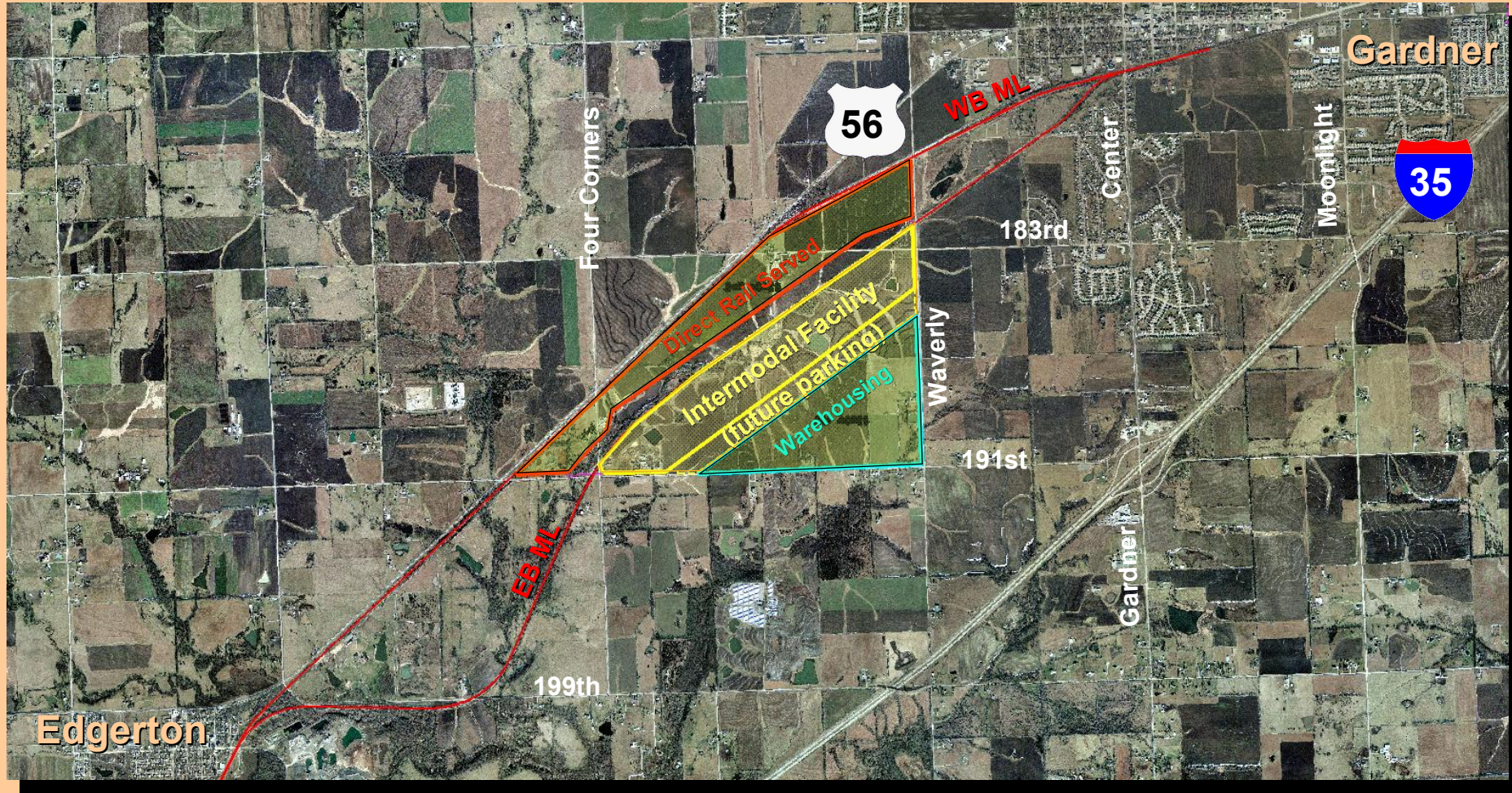


# Potential Logistics Park



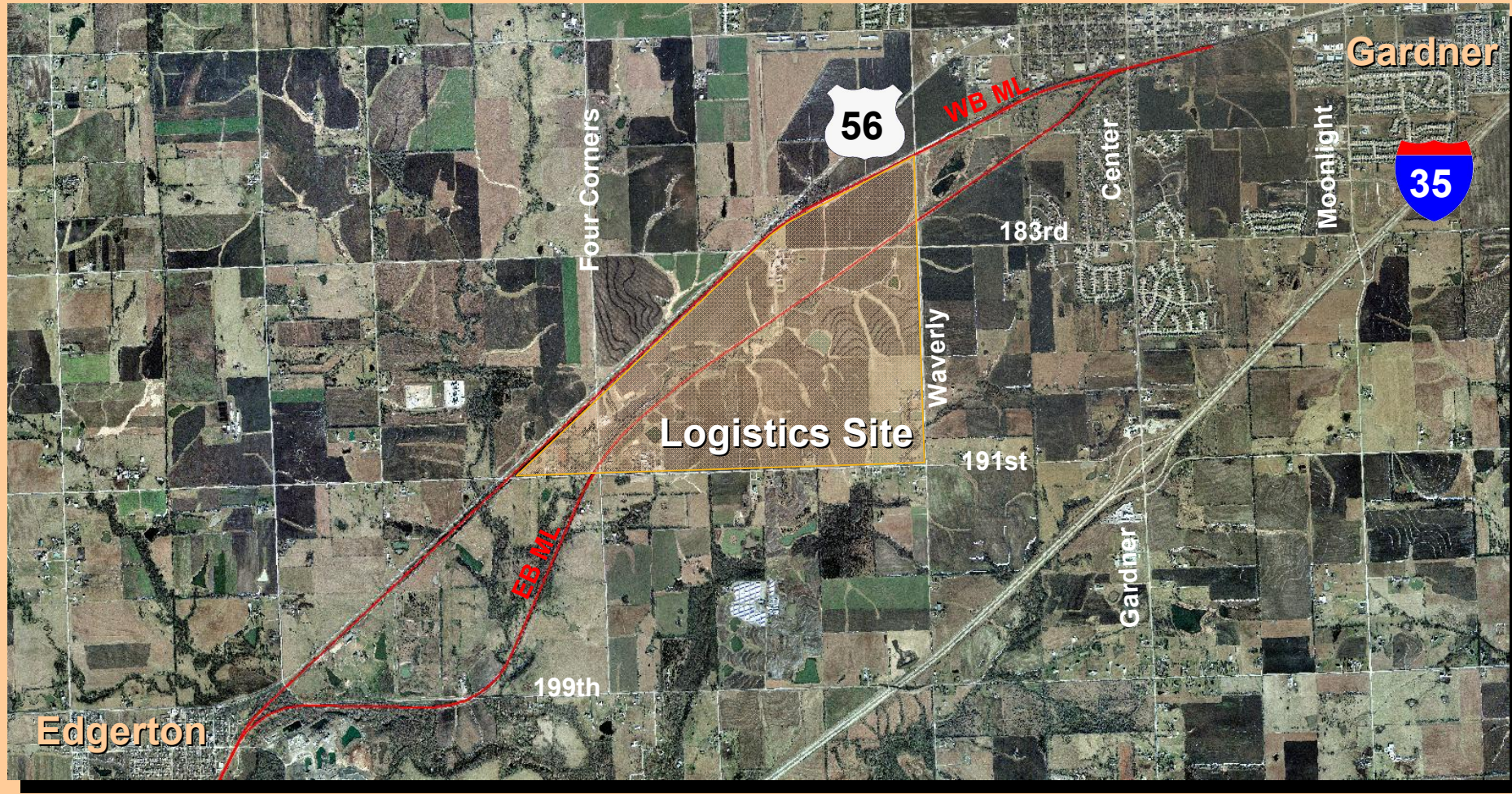


# Potential Logistics Park





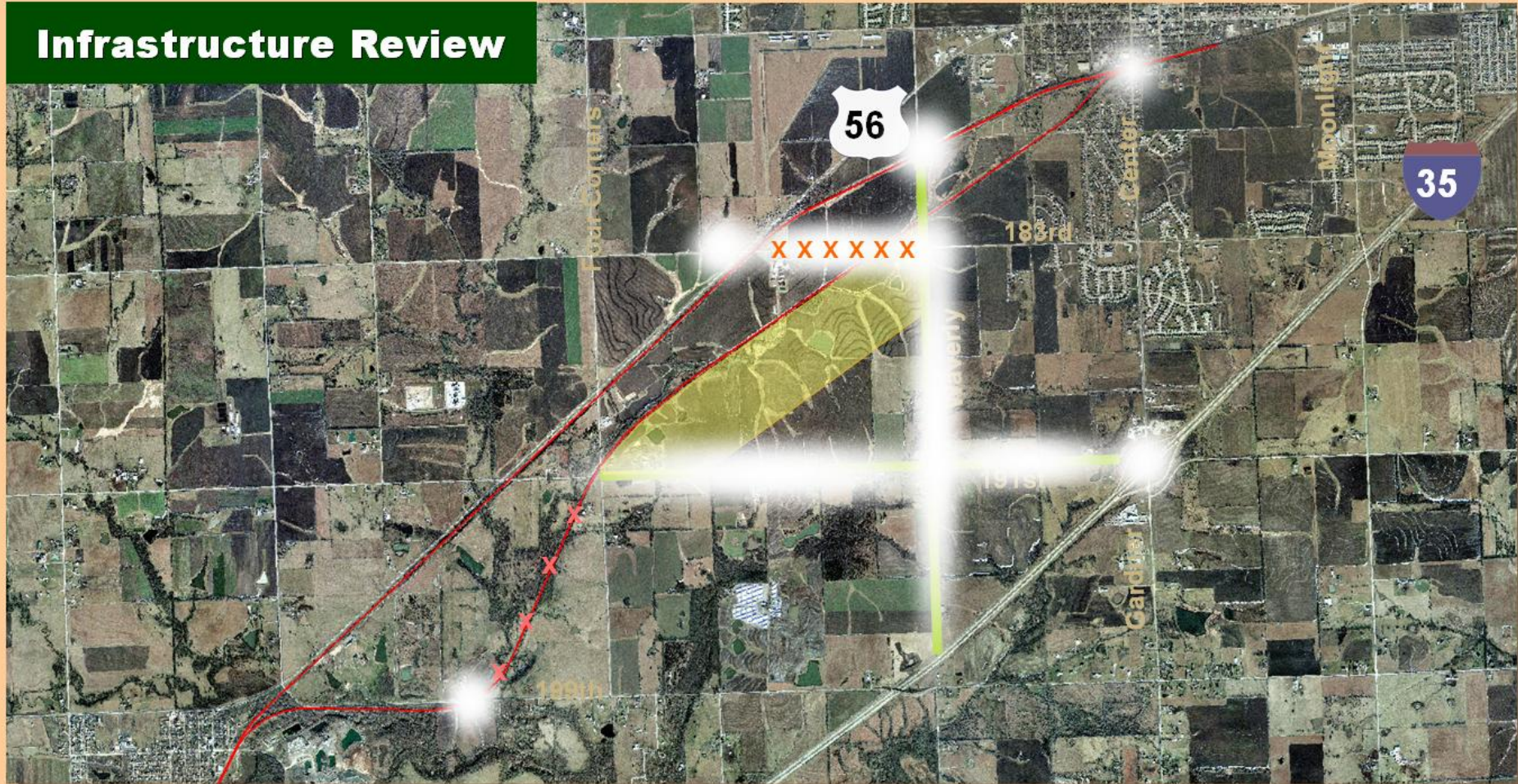
# Traffic Study Overview





# Traffic Study Overview

## Infrastructure Review





# Economic Impact Analysis

- ◆ **CH2MHill Lockwood-Greene**
- ◆ **Assumptions**
  - **BNSF Intermodal Facility**
  - **Warehouse Distribution Development**
  - **Conceptual 20-year Time Horizon**
  - **100% within Gardner City Limits**
  - **Employment**
  - **Investments**



Alliance Texas Logistics Park



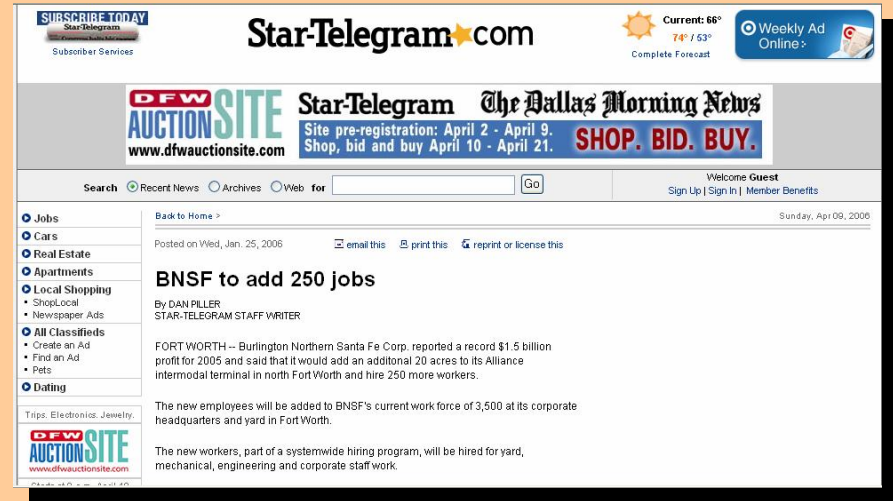
# Economic Impact Analysis

## ◆ Benefits

- Property Tax
- Employment
- Wage
- Sales

## ◆ Total Fiscal Impact

- Significant Employment Impacts
- Positive Total Fiscal Impacts



# General Timeline

- ◆ **Intermodal Facility**
  - **Estimated Construction Duration – 18 Months**
  - **Parking expansion to follow as needed**
- ◆ **Warehousing (Non-Rail and Rail Served)**
  - **Construction to Follow Intermodal Completion**

# Phased Approach

## ◆ Benefits Of The Phased Approach

- Adequate Planning
  - Coordination With Stakeholders
- Meets The Economic Needs
  - Build To Meet Demand

## ◆ Phased Developmental Approach

- Phase I
  - Intermodal Facility
  - Warehousing (as needed)
- Phase 2
  - Intermodal Expansion
  - Build-out Of Warehousing



Logistics Park - Chicago

# Next Steps

- ◆ **Continuing BNSF Feasibility Analysis**
  - **Developer Selection**
- ◆ **Expanding Stakeholder Engagement**
  - **Intermodal Review Committee**
  - **Infrastructure Needs Identification**
    - **KDOT**
    - **Johnson County**
    - **Gardner**
    - **Others**
- ◆ **Public/Private Partnerships**

# **BNSF Railway**

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